

Memorandum

City of Tempe



Date: January 15, 2004
To: Mayor and Council
From: Kate Hanley, TCC Executive Director, through Randy Gross
Subject: Earned Income Tax Credit Initiative-Year Two

Tempe Community Council is preparing to “kick off” the second year of the Earned Income Tax Initiative. Executive Director, Kate Hanley, will provide information about the accomplishments of Year One and goals for Year Two.

Packet includes:

- PowerPoint presentation slides
- 2002 Program Evaluation

Earned Income Tax Credit (EITC)

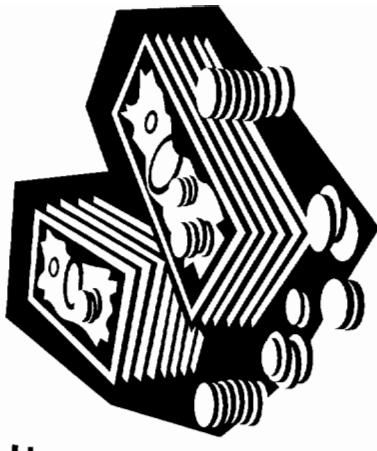


Presented by:
Dennis Cahill, Councilman, City of Tempe
Kate Hanley, Tempe Community Council



What is the Earned Income Tax Credit?

- Refundable tax credit for low-income working individuals and families
- Can be claimed if the individual does not owe any tax at all
- Up to \$4,204 can be received for 2003
- A first-time applicant can apply for 2001, 2002, and 2003 – potential for total return of approximately \$10,000



Who qualifies for EITC?

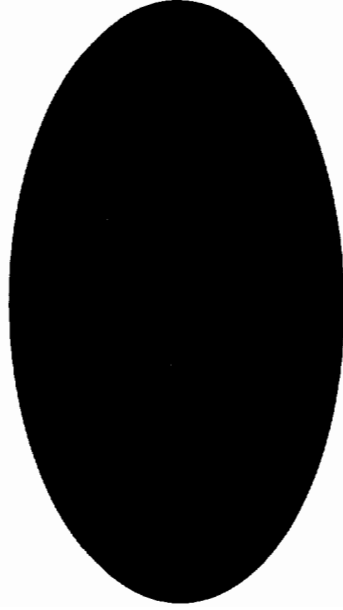
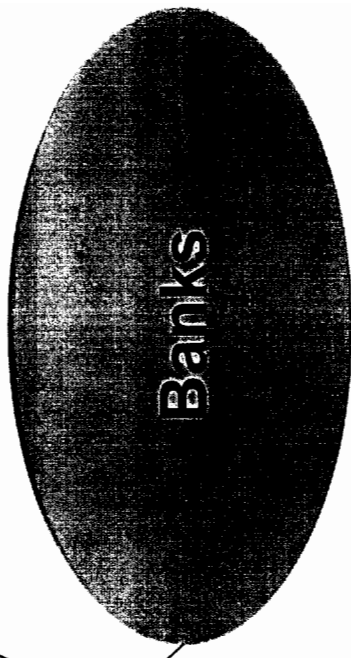
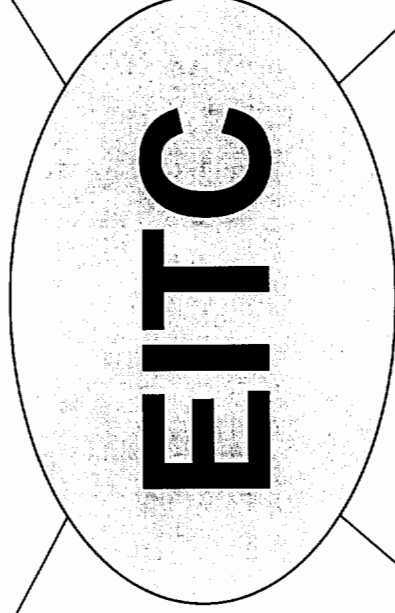
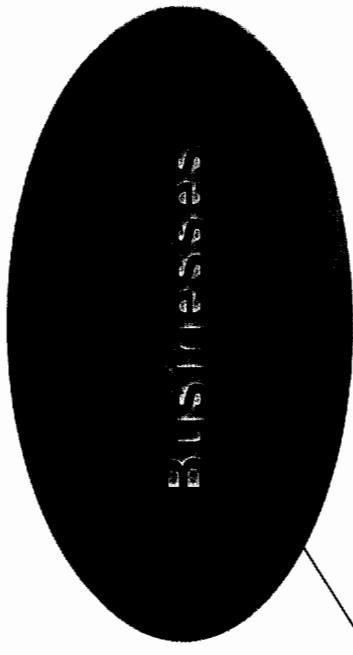


- Low-income workers – must have earned income
- Ages 25-64 (21 if children in household)
- Single or married, with or without children
- Requires a valid social security number
- Non-citizen workers with Individual Taxpayer Identification Numbers (ITIN) are not eligible for E.I.T.C. but can receive Child Tax Credits

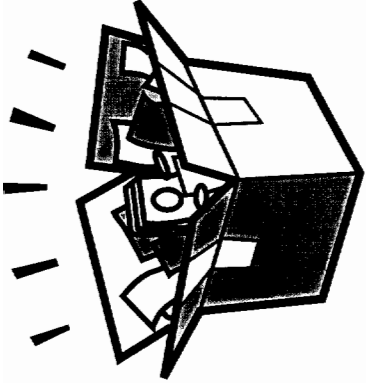
**Why is EITC
a Win-Win
situation?**

Who Benefits?

Working
Poor



Employers



Benefits

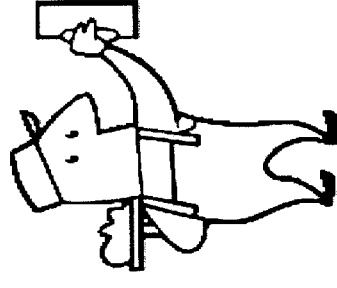


- Returns cash to hardworking individuals and families
- Allows dialogue about financial literacy and encourages savings and asset building
- A Method to assist low-income working families gain education
- Brings much-needed sales tax back to the City at a time of declining resources



Last Year in Tempe/Guadalupe

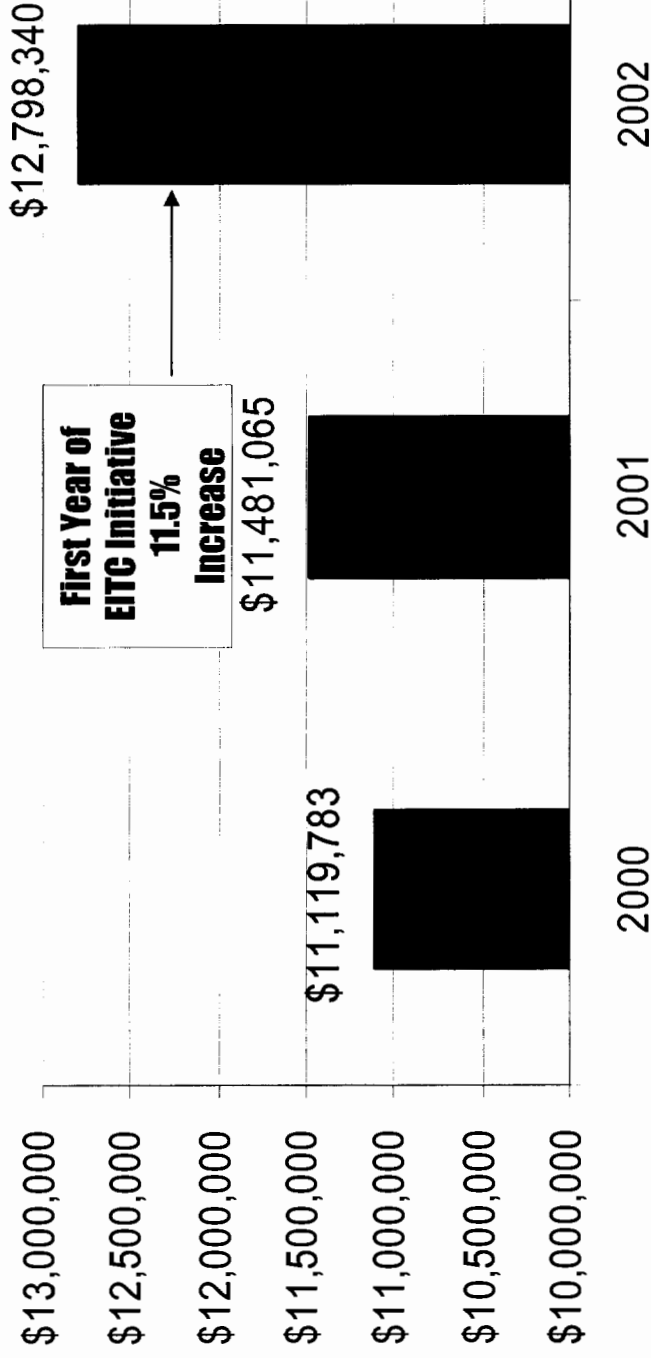
- Tax Year 2002 statistics
- \$340,323 returned to Guadalupe & Tempe residents who used VITA and TCE sites
- 443 returns filed at VITA sites (not all qualified for EITC)





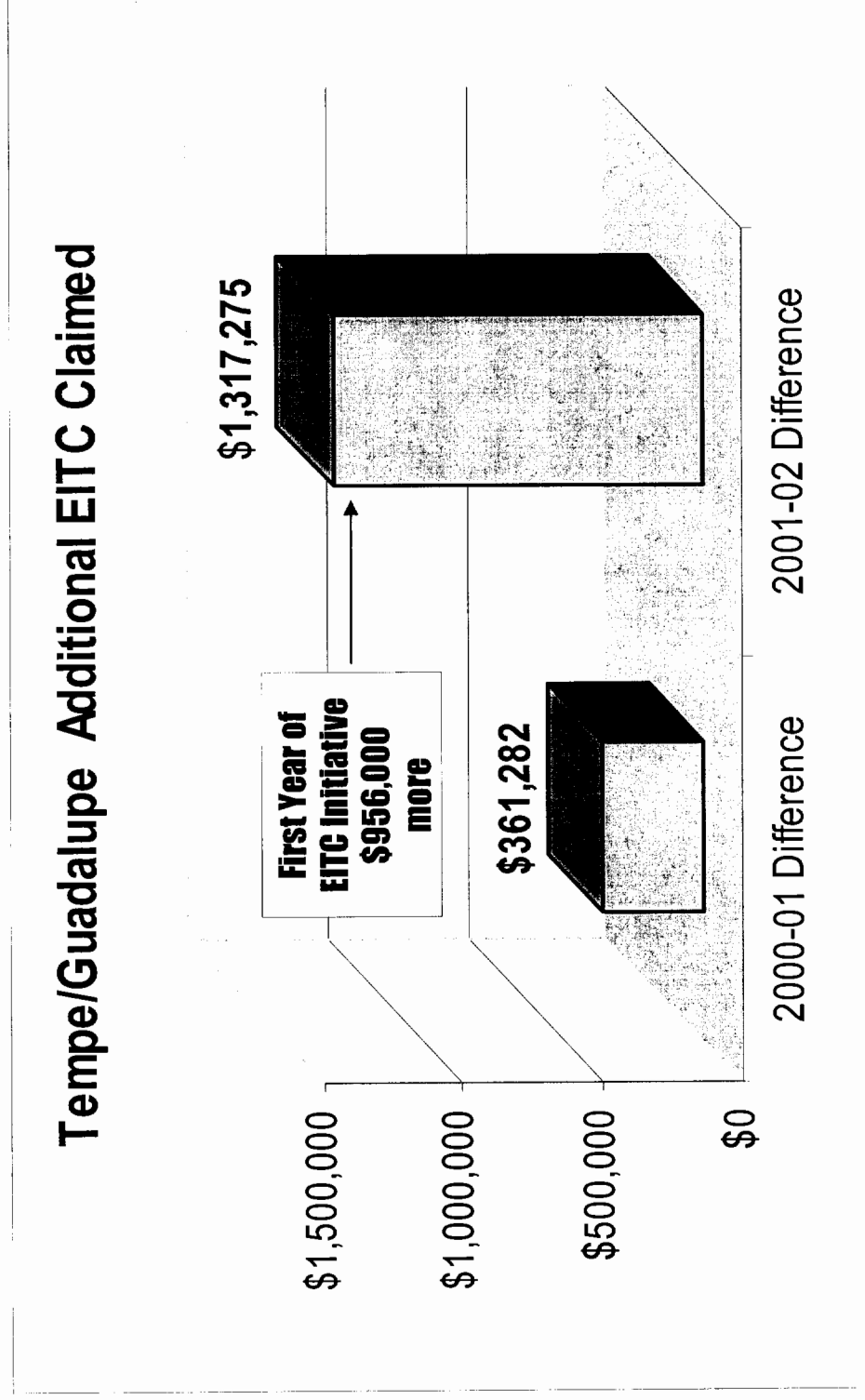
Just In From IRS for Tempe/Guadalupe...

Tempe/Guadalupe Total EITC Claimed - 2000-2002

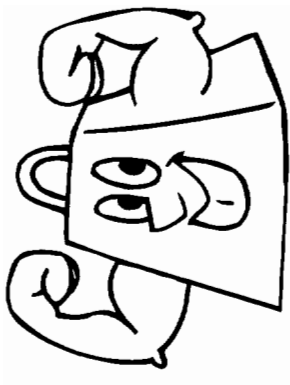


Tempe/Guadalupe...

Almost \$1 million more



Needed – a strong City



leadership role

For instance, the City of Tempe did all of the following:

- Recruited volunteers from City staff
- Allowed volunteer time for City employees
- Recognized volunteers
- Provided space, hardware, and technical help

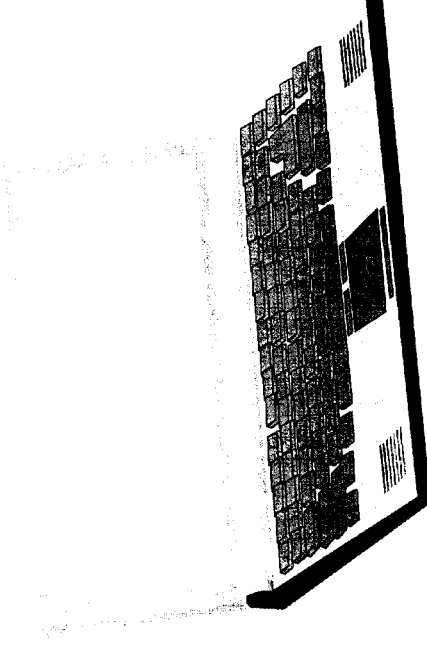
What resources are necessary to develop a VITA site?

- Early public awareness/community mobilization

- Computers

- Volunteers

(IRS handles the tax training)



How can a city help market EITC?

- Inform employees about importance of EITC by placing inserts or notices in paycheck envelopes



- Reach out to:
 - Chambers of commerce
 - Workers without children
 - Non-English speaking communities
- Market the program locally through cable television, schools, municipal newsletters, civic organization newsletters

Tempe Community Council

Evaluation of Earned Income Tax Credit Initiative 2002

May 2003

I. Main Features of the Initiative

1. Description of Program

Earned Income Tax Credit - Created by Congress in 1975, the Earned Income Tax Credit (EITC), is a lump sum payment to working individuals and families below certain income levels. This program returns money from overpayment of taxes to workers with modest incomes. Surveys show that recipients use the tax credit to pay utility bills and credit card bills, buy clothes for children and make long-deferred purchases of furniture and household needs. Many also use the cash to pay for college tuition or to buy a used car to get to work. The EITC is an economic development tool not just for low-income individuals, but for communities like ours.

Local Situation – In December of 2001, the IRS contacted Tempe Community Council in an effort to promote the tax credit to the community. Using the census, the IRS was able to estimate that there are nearly 38,000 individuals in Tempe and Guadalupe (zip codes 85280-85285) that are “income eligible” for the Earned Income Tax Credit. For tax year 2001, there were 4,429 tax returns from our area that claimed the credit, bringing over \$10 million dollars back into our community. Unfortunately, the estimated unclaimed credits were nearly \$46 million dollars. By not claiming a tax credit that they have earned, eligible Tempe and Guadalupe taxpayers were missing out on dollars that could help them meet basic needs while our communities were missing out on much needed income during the economic downturn.

In September of 2002, Tempe and Guadalupe decided to join forces with the Tempe Community Council and the IRS (hereafter known as the “coalition”) to develop and pilot the Earned Income Tax Credit Outreach Initiative during FY 2002-2004.

The Initiative is an economic development strategy with a goal to increase the number of federal dollars brought into our communities through the Earned Income Tax Credit. During the two year pilot phase, our objectives are to bring an additional \$369,000 (Tax year 2002) and \$443,000 (Tax year 2003) in EITC credits into our communities.

2. Summary of this year’s initiative

To accomplish our objective for the first year, the coalition developed a comprehensive Implementation Plan with 3 components, Volunteer Recruitment and Training, Public Awareness and Site Selection and Management. Please see appendix for detailed plans. Professionals from all coalition members worked under the coordination provided by TCC to accomplish the activities set forth in the Implementation Plan.

Volunteer Recruitment and Training - Volunteers tax preparers were recruited from the City of Tempe employees, Tempe residents, Conoco Phillips, the Church of Jesus Christ of Latter Day Saints, Maximus and Arizona State University (Accounting and Business Administration). Multiple recruitment strategies were used. We chose to use a 24-hour on-line training program to teach tax law, followed by a classroom based 2-hour course conducted by the IRS on the their Taxwise software. Our efforts resulted in 24 volunteer tax preparers and 3 translators.

Public Awareness - It is believed that many taxpayers do not claim their EITC because they are not required to file and do not realize that they would receive the credit if they did file. From this information, we developed and implemented a public awareness plan that included: 1) Multiple media releases. 2) Flyer distribution by Police Department to Crime Free Multi-housing complexes (3,000). 3) Letters to all households in Tempe’s public housing program (1,200). 4) Flyer distribution to parents through children in Tempe Elementary School District (14,000). 5) Static ads on the city’s cable channel. 6) Informational inserts in Tempe’s water bills, Leisure Opportunities magazine and Southwest Gas bills. 7) Flyer distribution to parents through the Association of Supportive Child Care, area Temporary Employment agencies and Maximus (Welfare to Work). 8) Sample newsletter articles sent to all Tempe neighborhood associations in addition to interested congregations. 9) Inclusion of EITC information on TCC’s website. 10) Information packets to all social service agencies. 11) Business outreach through Chamber of Commerce members, DTC, City employees and TUHSD classified staff through newsletters, EITC inserts in W2 forms or paychecks, presentations and/or personal visits.

Since our area has a significant Latino population, we had our flyer, website and W2 inserts available in both English and Spanish.

Site Management - An analysis of the demographics of our communities led to the selection of four sites: Arizona Mills Mall (located at the Tempe/ Guadalupe border), Westside Intergenerational Center (located in downtown Tempe, Escalante Intergenerational Center (located in the northeast portion of Tempe, and South Mountain Community College (SMCC) in Guadalupe. A kick-off event was held on Saturday, February 8th at the Arizona Mills Mall. The Initiative's sites had different schedules with evening and weekend hours.

Funding – Funding for the Initiative was provided by Tempe Community Council, Chase Manhattan Bank, Arizona Public Service, Tempe Schools Credit Union, King of Glory Lutheran Church and a private donor. In-kind donations of equipment, supplies, space and volunteer recognition items were provided by Conoco Phillips (equipment), Southwest Gas, Claim Jumper restaurant, Belair Golf Course and individuals.

Results for four Coalition Sites

Total returns electronically filed from VITA sites = 443 (*Data for electronically filed returns only*)

Single returns 239

Married Filing Joint 100

Married Filing Separate 2

Head of Household 102

Average Adjusted Gross Income Based on Filing Status (*Data for electronically filed returns only*)

Single \$15,332

Married Filing Joint \$38,588

Married Filing Separate \$21,833

Head of Household \$17,152

Average Adjusted Gross Income of all 4 Filing status = \$21,030.00

Average Earned Income Tax Credit based on Filing Status (*Data for electronically filed returns only*)

Single \$ 202

Married Filing Joint \$1,358

Head of Household \$1,820

Average EITC Credit based on Filing Status = \$1,056

EITC Income to our communities *Data from electronically filed returns + some paper returns*

Through 4 Coalition sites = \$256,848

Through AARP sites = 77,825

Through Mesa Community College = 5,650

Total \$340,323

3. Major External Issues:

The coalition planned to implement the Initiative on a small scale during the pilot phase. The Initiative took on a greater importance and scope than we originally planned. It was a positive, uplifting effort that most everyone could participate in to help our community – a welcome effort at a time when the City was retrenching, the State had a serious budget crisis and the national economy was in trouble.

II. Challenges within the Initiative

We expected and welcomed challenges because they present opportunities to create a program of the highest quality. Our major challenges were:

1. Securing sufficient, appropriate IT equipment and software for use in the Initiative. Most companies no longer purchase IT equipment. Instead, they lease the equipment they need and seldom have unused equipment in their inventory.

II. Challenges continued

2. Volunteer recruitment and training - This was much more difficult and complex than anticipated. In the beginning, volunteer recruitment efforts focused on the working individual so as not to compete with AARP/TCE for retiree volunteers. This effort yielded insufficient volunteers. When recruitment efforts were

refocused to ASU, the volunteer recruitment was more efficient and effective. The on-line tax law course was difficult for the less than highly motivated volunteer. We learned to target individuals with some knowledge (or interest) of accounting. Recruitment of translators was very difficult.

3. Data management – We had to develop sophisticated databases while learning new data management skills.

These challenges served their purpose and led to the following changes for the second year of the pilot project.

III. Changes for Next Year

1. Service delivery model: Offer paid work opportunity to 1-3 accounting students to allow for more flexibility in scheduling of tax preparers. Have volunteers with different levels of tax experience at each site.
2. Training of volunteers: Expand pool of volunteers by collaborating with ASU Department of Accountancy. Simplify and expand training alternatives. Conduct targeted employee recruitment at Chase and other interested business partners. Extend recruitment efforts for translators.
3. Data management/IT: A permanent pool of IT resources is necessary. Local city governments and computer vendors should be asked for donations and competitive bids, as appropriate, for equipment.
4. Enhance the public awareness component by working with Univision and by using non-traditional avenues of reaching our target population (i.e. through neighborhood leaders, faith community...)

IV. Supplemental Information

Tempe, Guadalupe, IRS and TCC all rose to the occasion to make the Earned Income Tax Credit Initiative a success. It made a difference that the City Councils and Managers made strong commitments to the program. Tempe City Manager, Will Manley's decision to allow employees to take the tax preparation training on work time (with the consent of their supervisor) set the tone for full cooperation within the Coalition.

V. Tables

Tax Year 2001 Data from Internal Revenue Service

| Zip code | Population Income < \$31,150 | Returns with EITC Claimant | Sum of EITC Claimed | Average \$ of EITC claimed | Possible Unclaimed EITC \$ |
|----------|---------------------------------|----------------------------------|------------------------|-------------------------------|----------------------------------|
| 85280 | 444 | 67 | \$54,589 | \$815 | \$307,255 |
| 85281 | 12875 | 81 | 3,649,568 | 1,496 | 15,612,256 |
| 85282 | 11921 | 1966 | 2,843,957 | 1,447 | 14,404,885 |
| 85283 | 9816 | 2073 | 3,329,659 | 1,606 | 12,435,258 |
| 85284 | 2392 | 136 | 159,540 | 1,173 | 2,646,288 |
| 85285 | 496 | 106 | 131,418 | 1,240 | 483,600 |

Totals \$10,168,731 \$1,111 \$45,889,542

Comparison of the Number of Electronically Filed Tax Returns from Tempe/Guadalupe sites for 2001 and 2002

| Sponsor | 2001 | 2002 |
|------------------------|------------|--------------|
| AARP/ Pyle + Westside* | 394 | 508 |
| AARP Escalante | 71 | 59 |
| VITA sites ** | 132 | 443 |
| Total | 597 | 1,010 |

- Westside was added as an AARP site in 2002

** In 2001, Guadalupe had the only VITA site.